Q3

QUARTERLY STATEMENT FIRST TO THIRD QUARTER 2019/20

1 March – 30 November 2019

CONSOLIDATED GROUP REVENUES AT

€ **5,028** [5,192] million

CONSOLIDATED GROUP OPERATING RESULT AT

€ **113** [116] million

FULL-YEAR FISCAL 2019/20 FORECAST:

CONSOLIDATED GROUP REVENUES OF

€ **6.7** to **7.0** [2018/19: 6.8] billion

CONSOLIDATED GROUP OPERATING RESULT OF

€ **70** to **130** [2018/19: 27] million

SÜDZUCKER

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Fiscal 2019/20

16 July 2020

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1st half year 2020/21

8 October 2020

Q 3 – Quarterly statement

1st to 3rd quarter 2020/21

14 January 2021

OVERVIEW

First to third quarter 2019/20

- Consolidated group revenues down from last year at € 5,028 (5,192) million
- Consolidated group operating result posted at € 113 (116) million, comparable to last year's level
- Sugar segment reports lower revenues and results due to reduced sugar revenues and harvest-related lower sales volumes
  - Revenues: –16 % to € 1,739 (2,060) million
  - Operating result: € –146 (–83) million
- Special products segment posts continued growth, increased revenues and improved operating result driven by higher ethanol revenues and higher volumes
  - Revenues: +5 % to € 1,796 (1,710) million
  - Operating result: € 143 (118) million
- CropEnergies segment revenues and results increased due to higher ethanol sales revenues
  - Revenues: +14 % to € 604 (532) million
  - Operating result: € 70 (19) million
- Fruit segment revenues comparable to last year's level and significant decline in operating result
  - Revenues: € 889 (890) million
  - Operating result: € 46 (62) million

Full-year fiscal 2019/20 forecast

- Consolidated group revenues expected to be € 6.7 to 7.0 (previous year: 2018/19: 6.8) billion.
- Consolidated group operating result expected to range between € 70 to 130 (2018/19: € 27 million).
- Capital employed to rise slightly; ROCE up to 2 %.

Group figures as of 30 November 2019

				1st – 3rd quarter
		2019/20	2018/19	+/– in %
Revenues and earnings				
Revenues	€ million	5,028	5,192	–3.2
EBITDA	€ million	373	345	8.2
EBITDA margin	%	7.4	6.6	
Depreciation	€ million	–260	–229	13.6
Operating result	€ million	113	116	–2.5
Operating margin	%	2.2	2.2	
Net earnings	€ million	–35	36	–
Cash flow and investments				
Cash flow	€ million	283	293	–3.5
Investments in fixed assets [1]	€ million	224	254	–11.7
Investments in financial assets / acquisitions	€ million	10	15	–32.0
Total investments	€ million	234	269	–12.8
Performance				
Fixed assets [1]	€ million	3,302	3,298	0.1
Goodwill	€ million	737	1,404	–47.5
Working capital	€ million	2,035	1,696	20.0
Capital employed	€ million	6,186	6,510	–5.0
Capital structure				
Total assets	€ million	8,403	8,952	–6.1
Shareholders' equity	€ million	3,764	4,911	–23.4
Net financial debt	€ million	1,359	781	74.1
Equity ratio	%	44.8	54.9	
Net financial debt as % of equity (gearing)	%	36.1	15.9	
Shares				
Market capitalization on 30 November	€ million	2,781	2,566	8.4
Total shares issued as of 30 November	Millions of shares	204.2	204.2	0.0
Closing price on 30 November	€	13.62	12.57	8.4
Earnings per share on 30 November	€	–0.42	–0.01	> 100
Average trading volume / day	Thousands of shares	630	900	–30.0
Performance Südzucker share 1 March to 30 November	%	6.0	–14.9	
Performance SDAX® 1 March to 30 November	%	12.5	–13.6	
Employees		**19,947**	**20,129**	**–0.9**

[1] Including intangible assets.

TABLE 01

ECONOMIC REPORT

Group results of operations

Revenues, EBITDA and operating result

Consolidated group revenues in the first nine months of fiscal 2019/20 declined to € 5,028 (5,192) million. While the sugar segment's revenues fell sharply, the fruit segment's held steady at last year's level and the special products and CropEnergies segments' rose.

Group EBITDA rose from € 373 (345) million due to the first-time application of IFRS 16 on 1 March 2019 and the associated recognition and depreciation of leases already recognized in other operating expenses for accounting purposes.

After nine months the group operating result was comparable to last year's level at € 113 (116) million. Although the sugar segment reported losses as expected, the third quarter was significantly better than the same period during the previous year. While the decline in results continued in the fruit segment, the increase in results was stronger in the special products and CropEnergies segments.

Result from operations

Result from operations of € 43 (139) million comprises an operating result of € 113 (116) million, the result from restructuring and special items of € –12 (7) million and the earnings contribution from companies consolidated at equity of € –58 (16) million.

Result of restructuring and special items

The result of restructuring and special items of € –12 (7) million was primarily attributable to the sugar segment and mainly related to Südzucker's offer concerning the return of delivery rights to beet farmers at the Warburg and Brottewitz factories for long freight distances as wess as expenses regarding the closure of the sugar export office in Antwerp, Belgium in November 2019.

Result from companies consolidated at equity

The result from companies consolidated at equity in the sugar and special products segments was € –58 (16) million.

Business performance – Group

		3rd quarter			1st – 3rd quarter		
		2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Revenues	€ million	**1,713**	**1,717**	**–0.2**	**5,028**	**5,192**	**–3.2**
EBITDA	€ million	158	85	87.4	373	345	8.2
Depreciation on fixed assets and intangible assets	€ million	–119	–108	10.9	–260	–229	13.6
Operating result	€ million	**39**	**–23**	**–**	**113**	**116**	**–2.5**
Result from restructuring / special items	€ million	–7	8	–	–12	7	–
Result from companies consolidated at equity	€ million	–60	5	–	–58	16	–
Result from operations	€ million	**–28**	**–10**	**> 100**	**43**	**139**	**–69.1**
EBITDA margin	%	9.2	4.9		7.4	6.6	
Operating margin	%	2.3	–1.4		2.2	2.2	
Investments in fixed assets [1]	€ million	74	87	–15.3	224	254	–11.7
Investments in financial assets / acquisitions	€ million	4	6	–37.3	10	15	–32.0
Total investments	€ million	**78**	**93**	**–16.7**	**234**	**269**	**–12.8**
Shares in companies consolidated at equity	€ million				332	395	–16.1
Capital employed	€ million				6,186	6,510	–5.0
Employees					**19,947**	**20,129**	**–0.9**

[1] Including intangible assets.

TABLE 02

Financial result

The financial result for the first nine months totaled € –31 (–22) million. It includes a net interest result of € –19 (–16) million as well as a result from other financing activities of € –12 (–6) million.

Taxes on income

Earnings before taxes were reported at € 12 (117) million and taxes on income totaled € –47 (–81) million. Especially the effect of losses in the sugar segment for which there was no recognition of deferred taxes have had an impact.

Consolidated net earnings

Of the consolidated net earnings of € –35 (36) million, € –87 (–3) million were allocated to Südzucker AG shareholders, € 10 (10) million to hybrid equity and € 42 (29) million to other non-controlling interests, mainly the co-owners of AGRANA Group and CropEnergies Group.

Earnings per share

Earnings per share were € –0.42 (–0.01) for the first to third quarter of 2019/2020. The calculation was based on the time-weighted average of 204.2 (204.2) million shares outstanding.

Income statement

	3rd quarter			1st – 3rd quarter		
€ million	2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Revenues	**1,713**	**1,717**	**–0.2**	**5,028**	**5,192**	**–3.2**
Operating result	39	–23	–	113	116	–2.5
Result from restructuring / special items	–7	8	–	–12	7	0.0
Result from companies consolidated at equity	–60	5	–	–58	16	–
Result from operations	**–28**	**–10**	**> 100**	**43**	**139**	**–69.1**
Financial result	–14	–4	> 100,0	–31	–22	40.9
Earnings before income taxes	**–42**	**–14**	**> 100**	**12**	**117**	**–89.9**
Taxes on income	–14	–14	1.5	–47	–81	–41.7
Net earnings	**–56**	**–28**	**98.9**	**–35**	**36**	**–**
of which attributable to Südzucker AG shareholders	–73	–31	> 100	–87	–3	> 100
of which attributable to hybrid capital	3	3	–3.0	10	10	–1.0
of which attributable to other non-controlling interests	14	0	–	42	29	44.1
Earnings per share (€)	**–0.35**	**–0.15**	**> 100**	**–0.42**	**–0.01**	**> 100**

TABLE 03

Group financial position

Cash flow

Cash flow reached € 283 million, compared to € 293 million during the same period last year. This translates into 5.6 (5.6) % of revenues.

Working capital

The cash outflow from the increase in working capital of € –41 million – following cash inflow of € 195 million in the previous period – resulted primarily from the increase in inventory book values in the sugar, special products and fruit segments along with higher trade receivables. This development was partly offset by a concurrent increase in liabilities to beet growers.

Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 224 (254) million in the first nine months. The sugar segment's investments of € 73 (103) million were mainly for replacement investments, particularly in the electric and automation sector, as well as improvements in logistics and compliance with legal or regulatory requirements. The special products segment invested € 101 (109) million, most of which was for new production capacities in the starch division and plant expansions and optimizations at BENEO and Freiberger. The CropEnergies segment invested € 20 (9) million for replacements and to increase the efficiency of production systems. The fruit segment invested € 30 (33) million, mainly in the fruit preparations division.

Investments in financial assets

Investments in financial assets of € 10 (15) million were mainly used for the founding of a new 50 % joint venture, Beta Pura GmbH, Vienna, Austria, and the acquisition of a 3.5 % interest in DouxMatok Ltd., Petcha-Tikva, Israel, along with an increase in the existing investment in the South African portion pack producer Collaborative Packing Solutions [Pty] Ltd. Johannesburg from 40 % to 75 %.

Last year's investments in financial assets went primarily toward the 100 % acquisition of Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, in the first quarter and a 49 % stake acquired in the Algerian fruit preparations producer SPA AGRANA Fruit Algeria (formerly: Elafruits SPA), Akbou, in the second quarter as well as the acquisition of a 100 % stake in the British portion pack producer CustomPack Ltd, Telford, in the third quarter.

Development of net financial debt

Cash flow from operating activities of € 241 million includes cash flow of € 283 million and an increase in working capital with cash outflow of € 41 million. Investment financing of € 234 million and dividends paid totaling € 97 million along with the recognition of leasing liabilities of € 136 million on 1 March 2019 in the long and short-term financial liabilities due to the first-time application of IFRS 16 (leases) resulted in a € 230 million increase in net financial debt from € 1,129 on 28 February 2019 to € 1,359 million on 30 November 2019.

Cash flow statement

	3rd quarter			1st – 3rd quarter		
€ million	2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Cash flow	**107**	**66**	**62.1**	**283**	**293**	**– 3.5**
Increase (–) / decrease (+) in working capital	**– 160**	**4**	**–**	**– 41**	**195**	**–**
Net cash flow from operating activities	**– 54**	**69**	**–**	**241**	**485**	**– 50.4**
Total investments in fixed assets [1]	– 74	– 87	– 15.3	– 224	– 254	– 11.7
Investments in financial assets / acquisitions	– 4	– 6	– 37.3	– 10	– 15	– 32.0
Total investments	**– 78**	**– 93**	**– 16.1**	**– 234**	**– 269**	**– 12.8**
Other cashflows from investing activities	– 7	56	–	– 10	7	–
Cash flow from investing activities	**– 85**	**– 37**	**> 100**	**– 244**	**– 262**	**– 6.6**
Increases in stakes held in subsidiaries (–)	0	0	–	0	0	– 100.0
Dividends paid	– 6	– 6	– 3.5	– 97	– 156	– 37.7
Other cashflows from financing activities	86	– 118	–	98	– 182	–
Cash flow from financing activities	**80**	**– 121**	**–**	**1**	**– 335**	**–**
Other change in cash and cash equivalents	4	3	33.3	0	– 6	– 100.0
Decrease (–) / Increase (+) in cash and cash equivalents	**– 55**	**– 86**	**– 36.7**	**– 3**	**– 118**	**– 97.5**
Cash and cash equivalents at the beginning of the period	406	554	– 26.6	354	585	– 39.5
Cash and cash equivalents at the end of the period	**352**	**467**	**– 24.8**	**352**	**467**	**– 24.8**

[1] Including intangible assets.

TABLE 04

Group assets

Balance sheet

€ million	30 November 2019	30 November 2018	+/– in %
Assets			
Intangible assets	1,000	1,676	−40.4
Fixed assets	3,039	3,025	0.5
Remaining assets	457	535	−14.6
Non-current assets	**4,496**	**5,236**	**−14.1**
Inventories	2,094	1,832	14.3
Trade receivables	1,035	1,015	2.0
Remaining assets	778	869	−10.5
Current assets	**3,907**	**3,716**	**5.1**
Total assets	**8,403**	**8,952**	**−6.1**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	2,229	3,366	−33.8
Hybrid capital	654	654	0.0
Other non-controlling interests	881	891	−1.1
Total equity	**3,764**	**4,911**	**−23.4**
Provisions for pensions and similar obligations	941	788	19.3
Financial liabilities	1,436	1,138	26.2
Remaining liabilities	404	388	4.1
Non-current liabilities	**2,781**	**2,314**	**20.2**
Financial liabilities	434	254	70.7
Trade payables	941	859	9.5
Remaining liabilities	483	614	−21.3
Current liabilities	**1,858**	**1,727**	**7.5**
Total liabilities and equity	**8,403**	**8,952**	**−6.1**
Net financial debt	1,359	781	74.1
Equity ratio in %	44.8	54.9	
Net financial debt as % of equity (gearing)	36.1	15.9	

TABLE 05

Non-current assets

Non-current assets were down € 740 million to € 4,496 (5,236) million. The € 676 million reduction in intangible assets, bringing the total to € 1,000 (1,676) million, was primarily driven by the revaluation of the sugar segment's goodwill at the end of fiscal 2018/19. The carrying amount of fixed assets rose by 14 million to € 3,039 (3,025) million. Alongside ongoing investments, activation of rights of use related to leases totaling € 127 million due to the first-time application of IFRS 16 on 1 March 2019 resulted in an increase. The increase was offset by a lower carrying amount of fixed assets due to write-downs carried out at the end of fiscal 2018/19 and scheduled depreciation and amortization. The decline in other assets of € 78 million to € 457 (535) million was primarily driven by lower shares of at equity consolidated companies due to the partly recognized losses of ED&F Man Holdings Ltd.

Current assets
Current assets rose € 191 million to € 3,907 (3,716) million. Inventories rose € 262 million to € 2,094 (1,832) million. The increase is primarily attributable to the cost of a raw materials premium for beets for the 2020 campaign and a rise in sugar segment inventories related to beet prices. At € 1,035 (1,015) million, trade receivables were slightly higher than a year earlier. The decline in other assets of € 91 million to 778 (869) million was mainly caused by reduced securities as well as cash and cash equivalents.

Equity
Equity dropped to € 3,764 (4,911) million and the equity ratio to 45 (55) %. Südzucker AG shareholders' equity declined € 1,137 million to € 2,229 (3,366) million, largely due to the prorated annual loss during the course of the previous year, especially the sugar segment's revaluation of goodwill and fixed assets, together with further expenses surrounding the factory closures in the sugar segment. Other non-controlling interests were down € 10 million to € 881 (891) million.

Non-current liabilities
Non-current liabilities rose € 467 million to € 2,781 (2,314) million. Provisions for pensions and similar obligations rose € 153 million to € 941 (788) million due to valuation at a lower discount rate, which dropped to 1.25 % on 30 November 2019 from 2.20 % on 30 November 2018. Financial liabilities increased € 298 million to € 1,436 (1,138) million due to the recognition of leasing liabilities after the first-time application of IFRS 16, together with higher liabilities due to financial institutions. Other liabilities rose € 16 million to € 404 (388) million.

Current liabilities
Current liabilities rose € 131 million to € 1,858 (1,727) million. The increase of current financial liabilities by € 180 million to 434 (254) million resulted from the recognition of leasing liabilities after the first-time application of IFRS 16 and the use of commercial papers for campaign financing paired with lower liabilities to financial institutions. The € 82 million rise in trade payables to € 941 (859) million was chiefly due to the rise in liabilities to beet growers to € 346 (288) million. Other debt, consisting of other provisions, taxes owed and other liabilities, dropped € 131 million to € 483 (614) million.

Net financial debt
Net financial debt rose as anticipated € 578 million year-over-year to € 1,359 (781) million as of 30 November 2019, which corresponds to 36 (16) % of equity.

Employees

The number of persons employed by the group (full-time equivalent) in the first nine months of fiscal 2019/20 remained stable at 19,947 (20,129).

Employees by segment at balance sheet date

30 November	2019	2018	+/– in %
Sugar	8,044	8,269	−2.7
Special products	5,999	5,909	1.5
CropEnergies	442	425	4.0
Fruit	5,462	5,526	−1.2
Group	**19,947**	**20,129**	**−0.9**

TABLE 06

SUGAR SEGMENT

Markets and general framework

World sugar market

In its estimate of the world sugar balance for marketing year 2019/20 (1 October to 30 September) published in October 2019, German market analyst F. O. Licht forecasts another increase in the production deficit to about 6.5 million tonnes. The analyst expects sugar production to fall further after the record harvest in 2017/18, especially in Brazil and Europe, but also in India and Thailand, while global consumption continues to expand overall. This will result in a further drop in the high inventory level and the lowest inventory to consumption ratio since 2016/17. Other analysts confirm F. O. Licht's assessment.

Word market sugar prices

1 December 2016 to 30 November 2019, London, nearest forward trading month

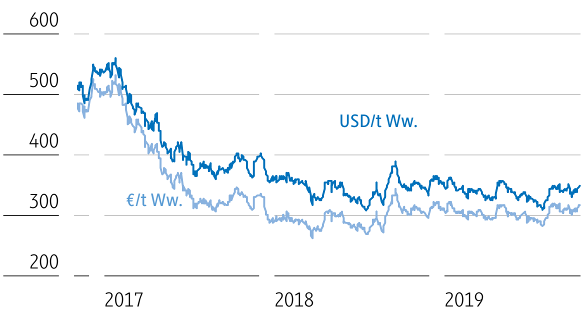

DIAGRAM 01

The world market price for white sugar to date in fiscal 2019/20 has ranged between € 260 and around € 315/t and was € 314/t at the end of the reporting period. However, the aforementioned positive expectations for the 2019/20 sugar balance have been slow to bring about only a slight rise world market price trend. High inventories in India have prevented a more significant rise in prices. State support measures have been developed to bring these inventories to the global market in the short term. The Indian government has once again approved high export subsidies of around USD 875 million for the export of around 6 million tonnes of sugar. India had already exported about 4 million tonnes of highly subsidized sugar in 2018/19.

In a meeting of the WTO dispute settlement body on 15 August 2019, a panel with representatives from Australia, Brazil and Guatemala made claims against the Indian export subsidies for 2018/19 and were granted a hearing. The EU Commission is participating only as a third party along with twelve other WTO members. Now Australia, Brazil and Guatemala will have the opportunity to show that India actually violated its obligations arising from the WTO agreement. The panel is expected to present its report between March and June 2020. However, the United States' blockade against the WTO dispute settlement body could result in delays.

EU sugar market

Dry weather caused production in the EU for the former 2018/19 sugar marketing year to fall to 18.2 (21.9) million tonnes, down 3.7 million tonnes, and significantly below consumption of 19.1 (19.6) million tonnes.

Due to the contraction of the beet cultivation area by around 6 % and the sustained drought in the major cultivation areas during the summer of 2019, the European Commission is expecting a below-average yield for the current sugar marketing year 2019/2020. The Commission thus anticipates a production (including isoglucose) of 18.1 (18.2) million tonnes comparable to last year's low level for the sugar marketing year 2019/2020. Based on these assumptions, market players expect virtually unchanged low production levels, again less than consumption during the current 2019/20 sugar marketing year; as a result, imports will be required to satisfy market demand.

In October 2018, the EU ex-factory price for sugar (food and non-food) declined further and ranged between 312 and € 328/t of bulk sugar ex-factory in the sugar marketing year 2018/19. The most recent published value from October 2019 was 332 €/t. This is not a standard price for Europe; there are major regional price differences between deficit and surplus regions. Prices are expected to rise during the course of the sugar marketing year 2019/20.

Energy market

At the start of September 2019, the price of Brent crude was quoted at USD 59/barrel. It closed at USD 60/barrel at the end of November 2019. Prices for Brent oil spiked to USD 69/barrel in mid-September. The September price increases were the result of attacks on oil facilities in Saudi-Arabia and the 10-year low in OPEC production. Then sustained global economic concerns and a lack of production discipline in other oil-producing countries once again put pressure on oil prices.

Legal and political environment

Brexit negotiations

Great Britain's lower house has until 31 January 2020 to ratify the newly negotiated agreement on the United Kingdom's withdrawal from the EU. In light of the Conservative Party's decisive victory on 12 December 2019, the BREXIT agreement it recently negotiated is very likely to be ratified on time.

Following ratification there will be a transition phase, which will last until 31 December 2020. The plan is to conclude a new free trade agreement between the United Kingdom and the EU during this period. Until then the current trade regulations will remain in force. It is uncertain whether a free trade agreement will be concluded by the end of December 2020. While it would be possible to extend the transition phase, the prospect of doing so is already controversial today.

If no new trade agreement is concluded by the end of the transition phase we assume European white sugar's access to the British market will become more difficult. The British government set a general tariff of 150 €/t for imported white sugar of any origin in the event of a no-deal BREXIT. Raw sugar imports will have a tariff of 339 €/t. However, this tariff will not apply to a duty-free import quota of 260,000 tonnes of raw sugar of any origin and deliveries under the terms of existing partnership agreements; for example, the ACP and LDC countries.

Mercosur agreement

On 28 June 2019 the Mercosur countries (Argentina, Brazil, Uruguay and Paraguay) and the EU Commission came to a basic understanding on a new free trade agreement. Under the terms of this basic agreement, the EU will reduce import duties on part of its existing CXL import quota from 98 €/t to zero. Currently Brazil may export 412,054 tonnes of raw cane sugar for refining in the EU; 334,054 tonnes at a tariff rate of 98 €/t and 78,000 tonnes at 11 €/t. The new agreement would allow Brazil to export 180,000 tonnes of the 334,054 tonnes duty-free as soon as it comes into force. The EU Commission has also granted Paraguay a new import quota of 10,000 tonnes of organic sugar per annum. The agreement still has to be ratified by the European Parliament and the member states. Ratification of the agreement is questionable at present, especially given the countless incidents of slash and burn farming in the Amazon region and controversial discussions in the EU.

Aside from the aforementioned, there have been no material changes during the reporting period to the legal and political general conditions related to EU sugar policies than those outlined on pages 61 and 62 of the 2018/19 annual report (consolidated management report, business report, sugar segment).

Business performance

Revenues and operating result

The decline in sugar segment revenues slowed during the third quarter. After nine months revenues were € 1,739 (2,060) million. The decline in revenues was driven by lower sales revenues and considerably lower volumes due to the reduced 2018 and 2019 harvests caused by dry weather.

The sugar segment saw an operating loss of € −146 (−83) million during the reporting period as predicted. The main causes were the EU sugar market price level, which did not cover costs, and sharply lower sales volumes, mainly in exports, due to the drought-driven weaker 2018 and 2019 harvests. The decline in results was mitigated in the first half year 2019/20 thanks to inventory write-downs to the expected net sales revenues, which were already carried out at the time of the 2018/19 year-end closing. During the third quarter of the previous year prices dropped once again and have recovered during the current fiscal year since October 2019. However, higher beet prices increased production costs, offsetting price recovery somewhat. At € −54 (−85) million, operating loss in the third quarter was far below the previous year's figures. Virtually none of the costs saved as a result of the structural program are included here; most of these will not take effect until the second half of the next fiscal year.

Result of restructuring and special items

The result of restructuring and special items of € −13 (−3) million was attributable to Südzucker's offer concerning the return of delivery rights to beet farmers at the Warburg and Brottewitz factories for long freight distances. Both factories will be closed after the 2019 campaign. This also includes the expenditures regarding the closure of the sugar export office in Antwerp, Belgium in November 2019 in particular. The closure is connected with efforts to concentrate the sugar business on the European Market; around ten employees are impacted by the closure. On the other hand, costs resulting from a strike at the french plant Cagny, which will be closed after the current campaign, will not be incurred until the fourth quarter.

Business performance – Sugar segment

		3rd quarter			1st – 3rd quarter		
		2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Revenues	€ million	**616**	**671**	**−8.1**	**1,739**	**2,060**	**−15.6**
EBITDA	€ million	13	−26	–	−37	5	–
Depreciation on fixed assets and intangible assets	€ million	−67	−59	14.1	−109	−88	24.9
Operating result	€ million	**−54**	**−85**	**−37.5**	**−146**	**−83**	**75.5**
Result from restructuring / special items	€ million	−7	−3	> 100	−13	−3	> 100
Result from companies consolidated at equity	€ million	−64	1	–	−69	2	–
Result from operations	€ million	**−125**	**−87**	**43.0**	**−228**	**−84**	**> 100**
EBITDA margin	%	2.2	−4.0		−2.1	0.2	
Operating margin	%	−8.7	−12.8		−8.4	−4.0	
Investments in fixed assets [1]	€ million	24	40	−40.6	73	103	−29.3
Investments in financial assets / acquisitions	€ million	2	0	–	7	2	> 100
Total investments	€ million	**26**	**40**	**−35.7**	**80**	**105**	**−22.7**
Shares in companies consolidated at equity	€ million				260	321	−19.0
Capital employed	€ million				2,563	3,030	−15.4
Employees					**8,044**	**8,269**	**−2.7**

[1] Including intangible assets.

TABLE 07

Result from companies consolidated at equity

The result from companies consolidated at equity was € –69 (2) million in the sugar segment and mainly impacted ED&F Man Holdings Limited (Südzucker AG's stake is around 35 %). A more moderate earnings contribution from the company's operating activities, which reflects the unchanging difficult environment in the sugar market in particular, was strained during the third quarter of the fiscal year 2019/20 by significant non-cash expenditures from the strategic restructuring of the ED&F Man Group. As part of this strategic restructuring various industry stakes that have had a negative effect on the net result until now are to be sold outside of the actual trading business. Implementation of the corresponding measures is scheduled to take place during the year 2020.

Beet cultivation and 2019 campaign

The dry spell most of our cultivation regions saw again this past summer is reflected in Südzucker Group's below-average beet yield expectation. Unlike the previous year, widespread, extensive rainfall beginning in late September helped boost the beet yield, but the sugar content dropped commensurately. However, overall the sugar yield is expected to surpass the previous year's level, yet fall below the five-year average. The campaign will be terminated in most plants in January 2020; due to a strike in Cagny beets in France will be processed in the other plants until mid-February 2020.

Investments in fixed assets

Investments in the first nine months totaling € 73 (103) million were mainly for replacement investments, above all for replacing process control systems and modifying electrical control rooms. Investments in logistics improvements were also undertaken; for example, a new bagging system for polyurethane bags at the Offenau factory and new sugar loading systems for containers at the Zeitz and Ochsenfurt factories. The Rain factory was also readied for producing organic sugar, while an additional beet syrup tank was added at the French site in Roye. Other important initiatives were investments in areas such as environmental protection systems and wastewater treatment and emission reduction.

Investments in financial assets

Investments in financial assets of € 7 (2) million were in part for the founding of a 50 % joint venture, Beta Pura GmbH, Vienna, Austria, which will be held by AGRANA Zucker GmbH, Vienna, Austria and American beet sugar producer The Amalgamated Sugar Company, Boise, Idaho. The joint venture is investing in the world's third production plant for crystalline betaine at the Tulln, Austria site. A 3.5 % stake was also acquired in DouxMatok Ltd., Petcha-Tikva, Israel. The startup develops new technologies for optimized taste and aroma experiences.

SPECIAL PRODUCTS SEGMENT

Business performance

Revenues and operating result

Growth continued in the special products segment in the third quarter as well, increasing revenues to € 1,796 (1,710) million. This was brought about by an overall rise in volumes, especially in starch and sweetener products. In addition, ethanol sales revenues remained well above the previous year's levels – despite the powerful increase towards the end of 2018.

The operating result rose disproportionately during the third quarter, growing considerably to € 143 (118) million after nine months. Rising raw materials and fixed costs were more than compensated for by sustained positive revenue growth.

Result from companies consolidated at equity

The result of € 11 (14) million from companies consolidated at equity was mainly attributable to the share of earnings from Hungarian Hungrana Group's starch and bioethanol businesses.

Investments in fixed assets

The special products segment invested € 101 (109) million in the BENEO division, primarily for capacity expansions at all sites. Noteworthy examples include expansion of the crystallization capacity and enlargement of the storage warehouse at the Offstein site. Work has begun on the first construction phase of a third wet starch line for rice proteins in Wijgmaal, Belgium. In the Freiberger division, investments are being made in various automation projects to reduce production costs, among other things, with priority given to the Richelieu sites in the USA. The main investments in the starch division were the capacity increase through the expansion of the starch factory in Pischelsdorf, Austria, and the expansion of the wet derivatives plant in Aschach, Austria.

Investments in financial assets

Investments in financial assets of € 2 (7) million went towards an increase in the existing investment in the South African portion pack producer Collaborative Packing Solutions [Pty] Ltd. Johannesburg from 40 % to 75 %. The larger stake was acquired following approval by the South African competition authorities in November 2019. The joint venture accounted for using the equity method so far, will be fully consolidated beginning 1 December 2019.

Business performance – Special products segment

		3rd quarter			1st – 3rd quarter		
		2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Revenues	€ million	**604**	**584**	**3.4**	**1,796**	**1,710**	**5.0**
EBITDA	€ million	86	70	21.2	230	202	13.7
Depreciation on fixed assets and intangible assets	€ million	–30	–28	5.4	–87	–84	3.6
Operating result	€ million	**56**	**42**	**31.6**	**143**	**118**	**21.0**
Result from restructuring/special items	€ million	0	1	–50.0	0	0	–50.0
Result from companies consolidated at equity	€ million	4	4	–6.8	11	14	–16.8
Result from operations	€ million	**60**	**47**	**27.7**	**154**	**132**	**16.9**
EBITDA margin	%	14.1	12.0		12.8	11.8	
Operating margin	%	9.2	7.3		7.9	6.9	
Investments in fixed assets[1]	€ million	34	30	11.6	101	109	–6.6
Investments in financial assets/acquisitions	€ million	2	6	–71.2	2	7	–77.6
Total investments	€ million	**36**	**36**	**–1.9**	**103**	**116**	**–11.3**
Shares in companies consolidated at equity	€ million				69	72	–3.9
Capital employed	€ million				2,245	2,167	3.6
Employees					**5,999**	**5,909**	**1.5**

[1] Including intangible assets.

TABLE 08

CROPENERGIES SEGMENT

Markets

Ethanol market

In the third quarter of 2019/2020, European ethanol prices rose from about € 560/m^3 at the beginning of September 2019 to € 650/m^3 at the end of November 2019. Spot prices were considerably more volatile, trading in a range between € 545/m^3 and € 715/m^3. The price increase was driven primarily by higher demand. The Netherlands introduced E10 on 1 October 2019; Denmark, the Slovac Republic and Hungary will introduce E10 on 1 January 2020. Moreover, many European countries have higher blending targets for 2020. For example, greenhouse gas reduction targets in Germany will be increased from 4 % to 6 % by weight.

Ethanol imports are expected to rise to 1.0 (0.6) million m^3 in 2019 as demand grows. Imports compare to domestic production and consumption forecasts of 7.6 (7.8) million m^3 and 8.2 (8.1) million m^3 respectively. At 5.2 (5.4) million m^3, fuel-grade ethanol production is expected to lag behind consumption of 5.6 (5.4) million m^3.

Grain market According to the International Grain Council (IGC), world grain production (excluding rice) is expected to rise to 2,162 (2,143) million tonnes in 2019/20. Grain consumption is expected to be 2,188 (2,172) million tonnes and inventories are projected to decline to 594 (620) million tonnes. For the EU, the EU Commission expects the 2019/20 grain harvest to increase to 316 (290) million tonnes. Consumption is expected to remain virtually unchanged at 290 (288) million tonnes. Despite the excellent supply situation, European wheat prices on the Euronext in Paris rose during the third quarter from around 165 €/t to 185 €/t. The price increase is mainly attributable to delayed planting due to weather conditions in parts of Europe.

Legal and political environment

Mercosur agreement

On 28 June 2019 the Mercosur countries (Argentina, Brazil, Uruguay and Paraguay) and the EU Commission came to a basic understanding on a new free trade agreement. This basic agreement calls for preferential imports of about 820,000 m^3 of bioethanol, of which about 570,000 m^3 may be imported duty-free for use in chemical industry applications. The remaining volume of about 250,000 m^3 will be eligible for importation to the EU for other applications, such as fuel-grade ethanol, at a discount of two-thirds of the current import tariff. Ratification of the agreement is questionable at present, especially given the countless incidents of slash and burn farming in the Amazon region and controversial discussions in the EU.

Climate Protection Regulation

The EU adopted its Climate Protection Regulation to reduce greenhouse gas emissions by 30 % by 2030 in sectors that are not subject to EU emissions trading regulations. This Non-ETS area comprises buildings, agriculture and transport in particular. In order to reach this target, the Climate Protection Act (Klimaschutzgesetz (KSG)) and the National Emissions Trading System for Fuel Emissions Law (Brennstoffemissionshandelsgesetz (BEHG)) were passed in November 2019. The BEHG assigns prices to fossil fuel greenhouse gas emissions in the transport and heating sector. Sustainably produced, renewable fuels were exempted from the CO_2 pricing scheme because they help reduce greenhouse gas emissions.

There were no material changes during the reporting period to the legal and political general conditions outlined on page 73 of the 2018/19 annual report (consolidated management report, business report, CropEnergies segment).

Business performance

Revenues and operating result

The CropEnergies segment generated significantly higher revenues of € 604 (532) million in the first nine months. Considerably higher ethanol revenues helped drive revenue growth further in the third quarter compared to the previous year.

The increase in results compared to the same period of the previous year was further improved in the third quarter. During the first nine months the operating result more than tripled, reaching € 70 (19) million. Higher net raw material costs were more than offset by significantly better ethanol sales revenues.

Result from restructuring and special items

During the previous year, the result from restructuring and special items of € 10 million was primarily attributable to the reversal of an accrual created in 2016/17 in regard to spirits tax risks in Germany in connection with ethanol sales. The associated court case was successfully concluded in the third quarter of 2018/19.

Investments in fixed assets

Investments in the first nine months amounted to € 20 (9) million and, in addition to replacing technical equipment such as heat exchangers, pumps and dryers throughout the entire production process at all locations, served in particular to increase the efficiency of production facilities.

Business performance – CropEnergies segment

		3rd quarter			1st – 3rd quarter		
		2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Revenues	€ million	**199**	**183**	**8.7**	**604**	**532**	**13.5**
EBITDA	€ million	37	15	> 100	102	48	> 100
Depreciation on fixed assets and intangible assets	€ million	–10	–10	6.1	–32	–29	7.8
Operating result	€ million	**27**	**5**	**> 100**	**70**	**19**	**> 100**
Result from restructuring / special items	€ million	0	10	–99.0	1	10	–99.0
Result from companies consolidated at equity	€ million	0	0	–100.0	0	0	0.0
Result from operations	€ million	**27**	**15**	**75.7**	**71**	**29**	**> 100**
EBITDA margin	%	18.6	8.0		16.9	9.1	
Operating margin	%	13.3	2.7		11.6	3.6	
Investments in fixed assets [1]	€ million	7	4	81.6	20	9	> 100
Investments in financial assets / acquisitions	€ million	0	0	–	0	0	–
Total investments	€ million	**7**	**4**	**81.6**	**20**	**9**	**> 100**
Shares in companies consolidated at equity	€ million				2	2	10.0
Capital employed	€ million				443	433	2.3
Employees					**442**	**425**	**4.0**

[1] Including intangible assets.

TABLE 09

FRUIT SEGMENT

Markets and general framework

Target markets

The global market for yogurt is anticipated to report an over 4 % increase in sales compared to the previous year, driven chiefly by yogurt drinks and natural yogurt. The actual main sales market for the fruit preparations business – spoonable fruit yogurt – is only expected to grow slightly during the same period, while sales should decline in our Western European and North American markets. However, growth in regions such as South America, the Middle East, Europe and North America will likely see economy related declines.

In addition, we will continue to concentrate on alternative growth segments such as ice creams and milk alternatives, a segment in which fruit preparations are used just as they are in conventional dairy products. Particularly in Western Europe and North America, this market is seeing much stronger growth than the market for traditional dairy products.

Due to limited availability attributable to the harvest situation, the fruit juice concentrates division is anticipating continued high demand for apple juice concentrate in the spring of 2020, leading to stable price expectations.

Raw materials markets

For strawberries, the most important ingredient in fruit preparations in terms of volume, the company was able to sign contracts for the planned quantities in the main procurement markets Morocco, Egypt, Spain and Mexico from the 2019 harvest. Moderate price increases of around 5 % were seen in the Mediterranean regions, while prices in Mexico rose by up to + 30 % due to below-average yields. Varieties from Poland, the Ukraine and China are used primarily for regional and organic products due to the generally high price level.

Amid continued high demand for frozen fruit, especially from Europe and the USA, expansions of cultivation areas and increase of raw material prices are expected in Egypt and Morocco.

Below-average yields of raspberries and cherries due to unfavorable weather conditions in the main European cultivation regions resulted in dramatic price increases – up to 60 % more compared to last year.

Availability declined sharply in key cultivation regions compared to last year for apples, the main fruit in the fruit juice concentrates business. Weather conditions drove this development. Supply conditions were satisfactory in China.

Red berry concentrate production in 2019 was marked by a shortage of the main fruits, which drove concentrate prices higher than last year.

Business performance

Revenues and operating result

The fruit segment reported revenues of € 889 (890) million during the reporting period, almost the same as a year earlier. The fruit preparations division's revenues grew slightly, with slightly higher sales volumes, while the fruit juice concentrates division's significantly higher volumes were not enough to completely offset declining sales revenues.

The operating result was down sharply to € 46 (62) million. Slightly higher sales volumes were not enough to offset higher costs in the fruit preparations division. The fruit juice concentrates division's declining sales revenues could not be fully compensated by higher volumes and lower raw material costs.

Investments in fixed assets

Investments in fixed assets totaled € 30 (33) million. Although the fruit preparations division's investments went mainly toward replacements and maintenance, it also invested in capacity expansion, such as installation of an additional production line at the fruit preparations factory in Serpuchov, Russia, which will now be commissioned. The Chocosplit system in Gleisdorf, Austria is slated for commissioning by the end of the fiscal year. The fruit juice concentrates division's main focus is also on replacement investments and production optimization; for example, the purchase of a vapor compressor at the Białobrzegi site in Poland, which will not only save energy but also expand the location's capacity.

Business performance – Fruit segment

		3rd quarter			1st – 3rd quarter		
		2019/20	2018/19	+/– in %	2019/20	2018/19	+/– in %
Revenues	€ million	**294**	**279**	**5.4**	**889**	**890**	**–0.1**
EBITDA	€ million	22	26	–15.6	78	90	–13.5
Depreciation on fixed assets and intangible assets	€ million	–12	–11	11.8	–32	–28	14.5
Operating result	€ million	**10**	**15**	**–35.5**	**46**	**62**	**–26.0**
Result from restructuring / special items	€ million	0	0	–	0	0	–
Result from companies consolidated at equity	€ million	0	0	–	0	0	–
Result from operations	€ million	**10**	**15**	**–35.5**	**46**	**62**	**–26.0**
EBITDA margin	%	7.5	9.4		8.7	10.1	
Operating margin	%	3.3	5.5		5.2	7.0	
Investments in fixed assets [1]	€ million	9	13	–27.0	30	33	–9.6
Investments in financial assets / acquisitions	€ million	0	0	–	1	6	–91.5
Total investments	€ million	**9**	**13**	**–27.0**	**31**	**39**	**–21.9**
Shares in companies consolidated at equity	€ million				0	0	–
Capital employed	€ million				936	881	6.2
Employees					**5,462**	**5,526**	**–1.2**

[1] Including intangible assets.

TABLE 10

OUTLOOK

Group

We expect consolidated group revenues of € 6.7 to 7.0 billion in fiscal 2019/20 (previous year: 6.8) billion. We are currently projecting a significant decline in revenues in the sugar segment (previous forecast: moderate decline, previous year: € 2.6 billion). Within the CropEnergies segment we are now seeing revenues of approximately € 810 (previous forecast[1]: 740 to 780; previous year: 693) million. In the special products segment we are now projecting a moderate rise in revenues (previous forecast: slight rise in revenues, previous year: € 2.3 billion) and revenues at last year's level in the fruit segment (previous year: 1.2 billion).

We are now assuming a consolidated group operating result within a range of € 70 to 130 (previous forecast[2]: 50 to 130; previous year: 27) million. We estimate that the sugar segment will report another operating loss between € –200 and –260 million (previous year: –239) million. We are currently projecting a significant increase in results in the special products segment (previous forecast: moderate increase; previous year: € 156 million). The CropEnergies segment's operating result is now expected to be around € 100 (previous forecast[1]: 70 to 90; previous year: 33) million. We expect the fruit segment's results to decline substantially (previous year: € 77 million).

We anticipate capital employed to rise, mainly because of application of the new IFRS standard regarding lease accounting. Based on the aforementioned operating result range, we are expecting ROCE to come in at up to 2 % (previous year: 0.4 %).

Sugar segment

With declining sales volumes and a reduction in the expected harvest yield, the revenues are expected to drop significantly in the sugar segment for fiscal 2019/20 in spite of higher average sales revenues. Given a price level that on average will continue to be unsatisfactory for the fiscal year, declining volumes and substantially rising production costs, particularly for the raw materials secure premium paid for the delivery of beets for the 2019 campaign, we expect an operating loss in the sugar segment ranging between € –200 and –260 million.

This forecast for the sugar segment continues to be marked by uncertainty in a changing market environment.

Results improvement driven by the sugar segment restructuring plan will not have an impact until after the closure of the factories as of the second half of fiscal 2020/21.

Special products segment

We expect the special products segment's production and sales volumes to be higher in all divisions and revenues now to rise moderately. As the very positive trend in the ethanol market continues unabated and sales revenues remain stable at high levels, operating result is expected to increase significantly.

CropEnergies segment

There is still robust demand for climate-friendly alternatives to fossil fuels. This, paired with sales revenues for renewable ethanol from European value creation far exceeding the previous year's levels, has caused us to adjust our revenue projections for the CropEnergies segment to approximately € 810 million and an operating result of around € 100 million.

Fruit segment

We expect revenues to reach the previous year's levels for the fruit segment in the fiscal year 2019/20 along with a significant decline in operating result. In the fruit preparations division, we anticipate stagnating revenues along with slightly rising sales volumes as well as a significant deterioration in operating result. The fruit juice concentrates division is expected to generate stable revenues. Operating result will be significantly lower than in the previous year due to lower capacity utilization and lower availability of apples.

[1] CropEnergies AG adjusted these projections on 16 December 2019.
[2] Adjusted with the ad hoc statement of Südzucker AG dated 25 October 2019. According to half year financial report 2019/20: consolidated group operating result of € 0 to 100 million, operating loss in the sugar segment of € –200 to –300 million, moderate increase in results in the special products segment, operating result in the Crop Energies segment between € 50 and 75 million and substantial decline in results in the fruit segment.

Forward looking statements / forecasts

This quarterly statement contains forward looking statements. The statements are based on current assumptions and estimates made by the executive board and information currently available to its members. The forward looking statements are not to be viewed as guarantees of the future developments and results presented therein. Future developments and results are in fact dependent on a variety of factors and are subject to various risks and imponderables. They are based on assumptions that could in fact prove to be invalid.

The risk management report in the 2018/19 annual report on pages 84 to 96 presents an overview of the risks. Taking into account all known facts, we have not identified any risks – whether individual or in their entirety – that jeopardize the continued existence of Südzucker group.

We accept no obligation to update the forward-looking statements contained in this report.

On this report

This quarterly statement was not reviewed or audited. It was prepared by Südzucker AG's executive board on 27 December 2019.

This quarterly statement is available in German and English. This translation is provided for convenience and should not be relied upon exclusively. PDF files of the interim report can be downloaded from the company's website at:

www.suedzucker.de/de/Investor-Relations/ or
www.suedzucker.de/en/Investor-Relations/

Südzucker AG's financial year is not aligned with the calendar year. The first to third quarter extends from 1 March to 30 November.

On the preceding pages, the numbers in brackets represent the corresponding previous year's figures or items. Numbers and percentages stated are subject to differences due to rounding. Typing and printing errors reserved.

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Contacts

Investor Relations
Nikolai Baltruschat
investor.relations@suedzucker.de
Phone: +49 621 421-240
Fax: +49 621 421-449

Financial Press
Dr. Dominik Risser
public.relations@suedzucker.de
Phone: +49 621 421-428
Fax: +49 621 421-425

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Südzucker AG
Maximilianstraße 10
68165 Mannheim
Phone: +49 621 421-0